

The complaint

Miss M complains through a representative that Gain Credit LLC trading as Lending Stream ("Lending Stream") gave her loans without carrying out sufficient affordability checks.

What happened

A summary of Miss M's borrowing can be found below.

loan number	loan amount	agreement date	repayment date	number of monthly instalments	largest repayment per loan
1	£300.00	11/07/2024	23/07/2024	6	£109
2	£230.00	02/09/2024	20/09/2024	6	£72.42

Following Miss M's complaint, Lending Stream explained why its checks were proportionate and showed the loans to be affordable. The complaint was then referred to the Financial Ombudsman.

The case was then considered by an investigator, who upheld the complaint about loan two only. Lending Stream didn't agree with the assessment to uphold loan two, saying, in summary;

- Loan one was repaid before the scheduled repayment date and there was no evidence of financial hardship.
- Lending Stream increased Miss M's expenditure figure as the amount declared in their view, wasn't as high as it expected it to be.
- The credit check results weren't overly concerning and one missed payment on an account doesn't mean there is financial difficulties.

The investigator explained why these comments didn't change her mind and as no agreement could be reached the case has been passed to me to decide.

What I've decided – and why

I've considered all the available evidence and arguments to decide what's fair and reasonable in the circumstances of this complaint.

We've set out our general approach to complaints about this type of lending - including all the relevant rules, guidance and good industry practice - on our website.

Lending Stream had to assess the lending to check if Miss M could afford to pay back the amounts she'd borrowed without undue difficulty. It needed to do this in a way which was proportionate to the circumstances of the applications. Lending Stream's checks could've taken into account a number of different things, such as how much was being lent, the size of the repayments, and Miss M's income and expenditure.

With this in mind, I think in the early stages of a lending relationship, less thorough checks might have been proportionate. But certain factors might suggest Lending Stream should have done more to establish that any lending was sustainable for Miss M. These factors include:

- Miss M having a low income (reflecting that it could be more difficult to make any loan repayments to a given loan amount from a lower level of income);
- The amounts to be repaid being especially high (reflecting that it could be more difficult to meet a higher repayment from a particular level of income);
- Miss M having a large number of loans and/or having these loans over a long period of time (reflecting the risk that repeated refinancing may signal that the borrowing had become, or was becoming, unsustainable);
- Miss M coming back for loans shortly after previous borrowing had been repaid (also suggestive of the borrowing becoming unsustainable).

There may even come a point where the lending history and pattern of lending itself clearly demonstrates that the lending was unsustainable for Miss M. The investigator didn't believe this applied to Miss M's complaint. I agree, considering only two loans were granted.

Lending Stream was required to establish whether Miss M could *sustainably* repay the loans – not just whether she technically had enough money to make her repayments. Having enough money to make the repayments could of course be an indicator that Miss M was able to repay her loans sustainably. But it doesn't automatically follow that this is the case.

I've considered all the arguments, evidence and information provided in this context, and thought about what this means for Miss M's complaint.

Loan 1

Lending Stream didn't disagree with the investigator's view that this loan shouldn't be upheld, and we didn't hear from Miss M's representatives. So, I don't know what, if anything her representative thinks about this loan.

For completeness, I've reviewed the information gathered from Lending Stream and I am satisfied the checks it carried out before granting this loan were proportionate and showed Miss M would be able to afford her repayments.

I say this because Lending Stream took details of Miss M's income, expenditure and it then cross checked the information it received through a credit search and it used Office of National Statistics (ONS) data. While Lending Stream did increase both Miss M's declared living costs and credit commitments, it still nonetheless discovered the loan was affordable for her. I'm not upholding Miss M's complaint about the first loan.

Loan 2

Miss M declared to Lending Stream her income was £1,900 per month. She also declared her monthly outgoings were £750 per month – which included existing credit commitments.

Lending Stream has said in the final response letter that if needed it would've made enquires with a third-party company to check the accuracy of the income. It isn't clear from the information provided whether it carried that out but what I can say is that no adjustment was made to Miss M's income for the affordability checks – as was the case with loan one.

Lending Stream then went about checking Miss M's outgoings, and it looked at other information such as available statistics that relate to the general population and it considered how much people typically spend with their income. Lending Stream then increased Miss M's living costs from £700 to £871 per month. It also increased Miss M's monthly credit commitments, from £100 to £904.42 – this was based on the credit search results that Lending Stream provided and what I've discussed below.

Overall, Lending Stream calculated that Miss M's living costs were likely to be £1,775.42 per month. This left, just over £124 per month to afford the loan repayments.

I think it's fair to point out at this time, that Lending Stream must have had concerns about the accuracy of the information that Miss M provided. Indeed, it had to significantly increase her monthly credit commitments based on the results of its own credit search.

As I've said, Lending Stream also carried out a credit search and it has provided the Financial Ombudsman with a summary spreadsheet of the results it received from the credit reference agency.

Firstly, the results did show some recent adverse payment information. It knew that Miss M had defaulted on two accounts, but the most recent one had defaulted some 35 months before the agreement was entered into. So perhaps, in the circumstance of this complaint, it wouldn't have been overly concerned by them.

However, the credit check results showed that at least two accounts were in delinquency, and the most recent account had entered delinquency a month before the loan which would have been in between Miss M repaying loan one and applying for loan two. Lending Stream has said, that one month missed payment may not have been overly concerning, as it could've been a one off.

I can't tell if that was the case due to the limited summary provided by Lending Stream. But what I can say is that the month before loan one was granted the results showed it had been a month since the most recent delinquency. Given this loan was taken out two months after the first loan, this would suggest that another (or the same account) had entered delinquency again. This does perhaps show that Miss M may have been having financial difficulties.

But what the credit search results did show, was that the amount Miss M declared for her credit commitments couldn't possibly be accurate. Indeed, Lending Stream was told her payments were nearly £900 per month. Which given her income of £1,900 means that with this loan payment Miss M was due to spend over 50% of her income solely servicing and repaying her existing credit commitments.

Lending Stream's own checks showed that Miss M would only be left with around £54 per month after the loan payment, each month for the next six months – which was the contracted loan term.

The loan may have appeared pounds and pence affordable, but given that Miss M was due to make payments over six months, and she was only left with £54 to cover any unexpected costs – I don't think that was enough.

Depending on the circumstances, of a complaint, it may have been reasonable for Lending Stream to still have advanced a loan with such little disposable income left over.

There are of course, no set guidelines as to how much disposable income is sufficient for a lender to believe that the repayments would be sustainable. In the individual circumstances

of this complaint, I don't think the amount left over was sufficient for Lending Stream to have believed the repayments could be made sustainably.

I say this with particular reference to the information Lending Stream had collected both from Miss M and from third parties before it lent. Lending Stream already knew she was spending a significant portion of her income servicing debt and where there were signs of recent impaired credit history. Lending Stream ought to have concluded that the loan wasn't sustainable for Miss M and not lent the second and final loan to her.

I am therefore upholding Miss M's complaint about her second loan.

Miss M's complaint also had a number of other strands including that Lending Stream didn't take her emotional state into account when approving the loan. The Investigator gave reasons why these parts of the complaint wouldn't be upheld, and I've not been provided with any new submissions to make me think the other complaint points such be upheld.

Finally, I've also considered whether the relationship might have been unfair under s.140A of the Consumer Credit Act 1974. However, I'm satisfied the redress I have directed below results in fair compensation for Miss M in the circumstances of her complaint. I'm satisfied, based on what I've seen, that no additional award would be appropriate in this case.

Putting things right

Lending Stream ought to not have granted loan two and I've set out below what it needs to do in order to put things for Miss M.

- A. Lending Stream should add together the total of the repayments made by Miss M towards interest, fees and charges on the loan.
- B. It should calculate 8% simple interest* on the individual payments made by Miss M which were considered as part of "A", calculated from the date Miss M originally made the payments, to the date the complaint is settled.
- C. Lending Stream should pay Miss M the total of "A" plus "B".
- D. Any adverse information Lending Stream has recorded on Miss M's credit file in relation to loan two should be removed.

*HM Revenue & Customs requires Lending Stream to deduct tax from this interest. It should give Miss M a certificate showing how much tax it has deducted, if she asks for one.

My final decision

For the reasons given above, I uphold Miss M's complaint in part.

Gain Credit LLC trading as Lending Stream should put things right for Miss M as directed above.

Under the rules of the Financial Ombudsman Service, I'm required to ask Miss M to accept or reject my decision before 31 July 2025.

Robert Walker
Ombudsman